

AIR POUCH

PRIORITY

FOREIGN SERVICE DESPATCH

(WITH RESTRICTED SECTIONS)

170

F790004-1085

FROM : AMEMBASSY GUATEMALA

TO : THE DEPARTMENT OF STATE, WASHINGTON.

August 21, 1953

REF :

AUG 23 1953

For Dept.	ACTION	DEPT.	1	1	Action Assigned to	<i>W. H. H.</i>
Use Only	REC'D	1	1	1	Action Taken	<i>W. H. H.</i>
17	AUG 21	MESSAGE CENTER	1	1		

SUBJECT: Joint Wecka No. 34 from SA for State Army and Air Section I

Date of Action

RESTRICTED

Action Office Symbol

During the past week the major U.S. enterprises operating in Guatemala continued to be enmeshed in labor, agrarian reform, and other difficulties. A strike vote of the workers in the International Railways of Central America was taken. Sr. Alfonso BAUER Paiz, the Government representative in temporary control, was quoted in the press as stating that the Empresa Elctrica could afford to pay the wage increases demanded by the union. The United Fruit Company filed an appeal with President ARBENZ against the expropriation of 174,000 acres of its Atlantic Coast properties. Further, the national labor federation, CGTG, and the leftist press initiated a campaign to cut down Guatemala's dependence on U.S. exports which amounted to 62 percent of total exports last year.

On the labor front, the CGTG formally sought admission to the Communist-dominated CTAL and WFTU and the Communist Partido Guatemalteco del Trabajo (PGT) entered the daily press field with a morning tabloid-sized newspaper, the Tribuna Popular.

In the armed forces, the establishment of a Department of Military Welfare to assure that personnel of the armed forces receive full benefits under the Agrarian Reform Law and other legislation and the sending of two senior officers to John Hopkins for medical treatment illustrated the Administration's coddling of the Army to retain its loyalty.

U.S. INTERESTS

IRCA Labor Dispute: The Inspectorate General of Labor (IGT) this week proceeded with the taking of a formal strike vote among the members of the SAMF Railway workers' union which is demanding a 50 percent wage increase and other benefits in negotiating a new labor contract with the U.S.-owned International Railways of Central America (Weeka No. 3).

JCHill:rd

6/20/53

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PER LAMMY OFFICE

FADRC FOR CASE NO. 740332

Guatemala

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SECURITY INFORMATION

F790004-1086 (WITH RESTRICTED SECTIONS)

The Labor Code requires a strike vote before a Labor Court can hand down a ruling on a petition that a strike be declared "legal". The SAMF last week filed such a petition and if it obtains a favorable decision it will have the alternatives of following through with the strike or requiring submission of the dispute to compulsory arbitration. In the event of a strike, there is the additional possibility that the Government might appoint a representative to take control of the Company's services as was done in the current Empresa Eléctrica strike case.

At a general assembly of the SAMF, members voted unanimously to go out on strike if the Labor Court decided that a strike would be legal. But it is not yet clear which alternative the SAMF Executive Committee will choose.

Bauer Paiz States Empresa Eléctrica Can Pay Wage Increases:

In an interview featured by the Communist Tribuna Popular of August 16, Sr. Alfonso Bauer Paiz, Government representative in temporary control of the Empresa Eléctrica, was quoted as saying: "I can state flatly that the Company is in a position to satisfy the demands for salary increases presented by the workers", and that he was ready to prove this to the Labor Courts. He was also reported as saying that the Company transferred several million dollars of profits to the United States since 1931 under the guise of a "fictitious debt" to the Electric Bond and Share Company and of inflating its capitalization from about \$4 million to \$12 million to make its percentage of profits look smaller. The Company has not publicly replied to these charges which it holds are without foundation.

Sr. Bauer Paiz' statement probably represents a preview of the report of the Government accountants who are examining the Company's books under his direction (Weeka No. 30) and may well foreshadow the imposition of wage increases which the Company has maintained it cannot afford to pay.

Agitation for Cancellation of U.S. - Guatemalan Trade Agreement: In a further indication of the local trend regarding foreign interests, leftist circles increased pressure on the Government for the abrogation, renegotiation or ignoring of the 1936 U.S. - Guatemalan Trade Agreement. The United States supplied \$48 million (62 percent) of Guatemala's 1952 imports. (See Section II)

LABOR

CGTG Seeks Affiliation with CTAL and WFTU: The Executive Committee of the CGTG, Guatemala's national labor federation,

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170

From Guatemala

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F790001-1087

this week addressed telegrams to Vicente LOMBARDO Toledano's Confederation of Workers of Latin America (CTAL) and the World Federation of Trade Unions (WFTU), applying for affiliation with those Communist controlled organizations.

When the applications are granted, the affiliation of the CGTG to the CTAL and WFTU will do little more than regularize a relationship which has long existed in fact. The former CGTG, which with the FSG formed the CGTG in October 1951, was a member of both organizations and Sr. Victor Manuel GUTIERREZ, the Communist head of the CTG who stepped into the Secretary Generalship of the CGTG, has kept the Guatemalan labor movement in close harmony and correspondence with the CTAL and WFTU. Moreover, the FSG, which is now a subordinate CGTG federation, is still an affiliate of both organizations.

PSYCHOLOGICAL

Communist Daily Appears: The Communist Partido Guatemalteco (PCT) entered the daily press field on August 15 with a tabloid-size morning newspaper called Tribuna Popular which carried heavily slanted domestic and foreign news but no paid advertising. Although the Communist label is not used on the masthead, Sr. Alfredo GUERRA Borges, Secretary for Propaganda of the PCT, is listed as Director. Tribuna Popular replaces the weekly PGT Octubre, which is to be turned into a bi-monthly magazine.

Where the PGT found the money to start this paper and how it intends to continue it is still obscure. The sum of \$10,000 was claimed to have been raised by party cells in a subscription drive (Weeks No. 28), but this is a modest sum when press circles agree that a \$5,000 - \$10,000 Government monthly subsidy has been necessary to keep the pro-Administration newspapers such as Nuestro Diario in the daily press field, which is dominated by opposition newspapers.

MILITARY

Coddling of the Armed Forces: As further examples of the Arbenz Administration's policy of holding the loyalty of the military by special benefits, the Ministry of Defense this week established a Department of Military Welfare to ensure that military personnel shall get full benefits from the Agrarian Reform Law and other legislation, while Colonel Rogelio CRUZ Wor, detailed as Director of the Guardia Civil (the national police force) and Colonel Agustin LOMARDO Aldana, Commandant of the Third Military Zone, were sent to Baltimore to undergo medical treatment at Johns Hopkins.

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179

From Guatemala.

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Disp. No.
From

F790004-1088

Colonel Cruz Wer, who is in local difficulty as a result of police excesses, was seen off by Colonel Carlos Enrique DIAZ, Chief of the Armed Forces, and plans to take an extended leave (with pay) in Cuba, Mexico and Brazil.

Colonel Feralta New Military Attaché in Washington:
(CONFIDENTIAL) Colonel Enrique FERALTA Azurdia called at the Embassy to announce his approaching departure for Washington where he will be Military Attaché and Guatemalan Representative on the Inter-American Board. He described himself as against Communism and gave it as his observation that Colonel Díaz and other of the Army high command were closely watching the movements of Communist leaders, whose influence was on the wane. Colonel Feralta is a personal friend of Colonel Arbenz with whom he served at the Escuela Politécnica in the early 1940's. He has been out of the country on military attaché assignments for most of the past nine years.

R E Schoenfeld
Rudolf E. Schoenfeld

cc: C. A. Missions & routine

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